

Fact Sheet

CORPORATE GOVERNANCE

California Public Employees' Retirement System • 400 P Street • Sacramento, California 95814

CalPERS 2004 Focus List Company At-A-Glance

Emerson Electric Company (EMR) – St. Louis, Missouri

CalPERS' Holdings: 2.19 million shares (0.52%)

Total Return Performance for Selected Periods Ending 03/31/04

Time Period Ended 3/31/04	Stock	Wilshire 2500 Index	S&P 500 Index	S&P 500 Industrial Index
5 years	29.05%	-2.24%	-5.85%	12.37%
3 years	5.15%	6.51%	1.91%	1.49%
1 year	35.80%	37.86%	35.10%	37.76%

Source: Bloomberg

The Problems:

Performance

- Emerson's stock performance has been in line with its peers but has faced significant declines in revenue and profitability.

Governance

- The Board has multiple independent directors. Five employee-directors serve on the Board.
- Generous retirement package and perquisites granted to former CEO and current Chairman Charles Knight. Mr. Knight will receive a minimum annual compensation of \$900,000 through September 30, 2007, in addition to a consulting contract that extends for an additional 15 years.
- The Company has a classified board structure and a poison pill not approved by shareholders.

What CalPERS Wants Emerson to do:

- Formalize director evaluations.
- Commit to independent board members and reduce the employee representation on the Board.
- Provide an analysis of retaining former CEO Charles Knight as Chairman and Board member and commit to renegotiating the excessive terms of Mr. Knight's contract and perquisites.
- Seek shareholder approval of the company's poison pill.
- Seek shareholder approval to eliminate the supermajority requirements and declassify the Board by the 2005 annual meeting.
- Tie a significant portion of the Company's long-term compensation to performance-based measures.
- Improve communication and transparency of good governance initiatives.